

PAUL R. WATKINS (899-1973)
DANA LATHAM (898-1974)

CHICAGO OFFICE

SEARS TOWER, SUITE 5600
CHICAGO, ILLINOIS 60606
PHONE (312) 575-7700, FAX 993-9787

HONG KONG OFFICE

23RD FLOOR
STANDARD CHARTERED BANK BUILDING
4 DES VOSGES ROAD CENTRAL, HONG KONG
PHONE + 352 2905-6400, FAX 2905-6940

LONDON OFFICE

ONE ANGEL COURT
LONDON EC2R 7HU ENGLAND
PHONE + 44 (0) 75374 4444, FAX 374 4480

LOS ANGELES OFFICE

933 WEST FIFTH STREET, SUITE 4000
LOS ANGELES, CALIFORNIA 90071-2007
PHONE (213) 485-1234, FAX 591-8763

MOSCOW OFFICE

ULITSA GASHEKA, 7 10TH FLOOR
MOSCOW 125047, RUSSIA
PHONE + 7 095 785-1234, FAX 785-1235

NEW JERSEY OFFICE

ONE NEWARK CENTER 16TH FLOOR
NEWARK, NEW JERSEY 07101-3174
PHONE (973) 639-1234, FAX 639-7298

LATHAM & WATKINS

ATTORNEYS AT LAW

1001 PENNSYLVANIA AVE. N.W.

SUITE 300

WASHINGTON D.C. 20004-2505

TELEPHONE (202) 637-2200

FAX (202) 637-2201

CC: 96-45

NEW YORK OFFICE

365 THIRD AVENUE, SUITE 300
NEW YORK, NEW YORK 10022-4902
PHONE (212) 306-1234, FAX 75 4944

ORANGE COUNTY OFFICE

550 TOWN CENTER DRIVE, SUITE 2000
COSTA MESA, CALIFORNIA 92626-9225
PHONE (714) 540-1234, FAX 555 8220

SAN DIEGO OFFICE

701 'B' STREET, SUITE 2100
SAN DIEGO, CALIFORNIA 92101-5121
PHONE (619) 235-1234, FAX 598 1412

SAN FRANCISCO OFFICE

505 MONTGOMERY STREET, SUITE 400
SAN FRANCISCO, CALIFORNIA 94111-3552
PHONE (415) 391-0800, FAX 395 8225

SILICON VALLEY OFFICE

75 WILLOW ROAD
MENLO PARK, CALIFORNIA 94025-1555
PHONE (650) 325-4800, FAX 453 2500

SINGAPORE OFFICE

20 CECIL STREET, #25-02/03/04
THE EXCHANGE, SINGAPORE 049105
PHONE + 65-336-1181, FAX 505 1111

TOKYO OFFICE

INFINI AKASAKA, 8-7-5 AKASAKA, MINATO-KU
TOKYO 107, JAPAN
PHONE + 81-3-423-3970, FAX 3423 3971

EX PARTE OR LATE FILED

June 26, 1998

VIA MESSENGER

Magalie Roman Salas
Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

Re: Joint Petition for Waiver of the Definition of "Study Area"
Contained in Part 36 and Sections 61.41(c), 69.3(e)(6) and 69.3(g)(2)
of the Commission's Rules filed by Kendall Telephone, Inc. and
Wisconsin Bell, Inc. on May 13, 1998 (DA 98-1000).

Enclosed on behalf of Kendall Telephone, Inc. and Ameritech Wisconsin are an original and five copies of a Reply to Ex Parte Submissions for the above-referenced proceeding. In the event there are any questions concerning this matter, please let me know.

Sincerely,



Johanna Mikes

Enclosures

cc: Craig Brown, Deputy Chief, CCB Accounting Policy Division
Adrian Wright, CCB Accounting Policy Division
Marty Schwimmer, CCB Network Services Division
Sonja Rifken, Special Assistant to the Chief, Common Carrier Bureau

No. of Copies rec'd 2
List A B C D E

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

CC: 96-45
JUL 1 '98
FEDERAL COMMUNICATIONS
COMMISSION
GENERAL COUNSEL

In the Matter of)
)
Kendall Telephone, Inc.)
and)
Wisconsin Bell, Inc.)
)
Joint Petition for Waiver of the)
Definition of "Study Area" Contained in)
Part 36 and Sections 61.41(c), 69.3(e)(6))
and 69.3(g)(2) of the Commission's Rules)

DA 98-1000

REPLY TO EX PARTE SUBMISSIONS

KENDALL TELEPHONE, INC.
Kenneth R. Cole, President
100 Century Park Drive
Monroe, LA 71211
(318)388-9000

Gary M. Epstein
Karen Brinkmann
Johanna Mikes
Latham & Watkins
1001 Pennsylvania Avenue, N.W.
Washington, DC 20004
(202) 637-2200
Attorneys for
KENDALL TELEPHONE, INC.

AMERITECH WISCONSIN
Ellen M. Gardner, President
722 N. Broadway, 18th Fl.
Milwaukee, WI 53202
(414) 678-3121

Julian P. Gehman
Mayer, Brown & Platt
2000 Pennsylvania Avenue, N.W.
Washington, DC 20006
(202) 955-0828
Attorney for
AMERITECH WISCONSIN

June 26, 1998 -----

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of)	
)	
Kendall Telephone, Inc.)	
and)	
Wisconsin Bell, Inc.)	
)	
Joint Petition for Waiver of the)	
Definition of "Study Area" Contained in)	DA 98-1000
Part 36 and Sections 61.41(c), 69.3(e)(6))	
and 69.3(g)(2) of the Commission's Rules)	

REPLY TO EX PARTE SUBMISSIONS

On May 13, 1998, Kendall Telephone, Inc. ("Kendall"), a subsidiary of Century Telephone Enterprises, Inc. ("Century"), and Wisconsin Bell, Inc. ("Ameritech Wisconsin") (together, the "Parties") jointly submitted the above-referenced Petition for waiver of the Commission's study area freeze, its all-or-nothing price cap rule, and certain Part 69 requirements with respect to Kendall's purchase from Ameritech Wisconsin of 19 local exchanges located in parts of northern and central Wisconsin (the "Exchanges"). The time period in which to file formal comments on or oppositions to the Petition has now expired, and no such comments or oppositions were filed. Thus, the Petition is formally unopposed.

Prior to the filing of the Petition, the Commission received ex parte submissions regarding this transaction in the form of numerous letters (approximately 376), all using identical language, sent by members of the Communications Workers of America union ("CWA") to FCC Chairman William E. Kennard. The vast majority of the letters contain merely a signature, with no address or other identifying information of the sender. Thus,

neither the Commission nor the Parties can discern from the submissions the level of interest in the proceeding of any given individual. In fact, it is not clear whether any of the 376 letters even came from Wisconsin residents, or from any of the 46 non-management employees that will be affected by this transaction.

Although these submissions do not amount to formal objections to the Petition, and the Parties were not served with these letters, Ameritech Wisconsin and Kendall take this opportunity to address the ex parte submissions and to reiterate the public interest benefits of the transaction.

I. THE PROPOSED SALE WILL ENHANCE SERVICE FOR AFFECTED CUSTOMERS

The form letter signed by CWA members appears to focus on service quality concerns, although the letters fail to provide a factual or legal basis on which to conclude, as they purport, that the “sale will negatively impact universal quality service.” Instead, the letters complain in general terms about the overall failure of the Telecommunications Act of 1996 to spur competition.

Contrary to the unspecified service quality concerns expressed by CWA members, grant of the requested waivers will result in tangible improvements in service quality and customer service, which will enable customers of the Exchanges to receive service that is affordable and responsive to the unique needs of rural and low-density communities.

~~First,~~ the proposed sale will lead to more services being made available to the affected customers more quickly. After the proposed sale, customers in the Exchanges will be able to select from all of the services that Ameritech Wisconsin currently provides, plus voice mail, local Internet dial-up access, and an additional long-distance provider. In fact, customers in the Exchanges are eagerly awaiting Century’s local Internet dial-up access service, and have

already written to Century expressing their enthusiasm with this and other aspects of the transaction. These customer endorsements of the sale and its accompanying service improvements alone should support grant of the requested waivers.

Second, approval of the transaction will bring customer service closer to the customer. By connecting Century's existing customer service resources in adjacent communities with the resources of the new Exchanges, customer service will become more convenient for the affected customers, which will likely accelerate service innovations responsive to the communities. For example, Kendall plans to open local payment offices in several communities, where customers can pay their bills and access service information in person, if they so desire.

Moreover, Kendall, backed by Century, plans to invest more than \$15 million to upgrade the infrastructure and services of the Exchanges in the first three years following their acquisition. Planned capital expenditures include investments in software to upgrade the switching facilities, transport facilities and access architecture in the Exchanges. This anticipated investment follows the previous investment of \$190 million in Wisconsin local exchange infrastructure made by Century and its affiliated companies over the last five years.

Furthermore, as stated in the Petition, the Wisconsin Public Service Commission has reviewed the transaction and has written the Common Carrier Bureau indicating that it does not oppose the grant of the requested study area waivers for Kendall and Ameritech Wisconsin.¹

¹ See Letter from Lynda L. Dorr, Secretary to the Public Service Commission of Wisconsin, to A. Richard Metzger, Jr., Chief of the Common Carrier Bureau, attached as Exhibit B to the Petition.

The Wisconsin Exchanges at issue are among some of the smallest in the nation, ranging in size from 734 to 19,944 access lines. With Century's long-standing commitment to serving rural and small town areas, and its financial backing, Kendall is uniquely situated to serve the telecommunications needs of the customers in these remote locations.

II. THE PROPOSED SALE WILL NOT HARM THE WISCONSIN TELEPHONE INDUSTRY LABOR FORCE

Although local labor issues are not within the usual scope of the Commission's review of a transaction such as this, the Parties do not expect that any worker will be laid off as a result of the proposed sale. Both of the parent companies involved in the proposed sale have solid employee relationships and histories, which include long-standing employment ties in and around the communities in the Exchanges. Century, for example, currently employs more than 830 employees in Wisconsin and more than 5,600 employees nationwide. Ameritech has approximately 74,000 employees nationwide.

The Parties do not expect that any Wisconsin worker will lose a job through the consummation of the proposed transaction. In fact, all Ameritech Wisconsin employees affected by this sale received offers of employment from Ameritech Wisconsin. In addition, 39 non-management employees affected by the sale who expressed an interest in Century have received offers from Century and have until July 15th in which to respond. Where necessary, the Parties are committed to relocating the affected employees to other operations located as close as possible to their current assignment. Century believes that the transaction ultimately will create 80 new jobs in Wisconsin, 40 in LaCrosse and 40 at various locations within Century's service areas.

III. CONCLUSION

As demonstrated in the Petition and reiterated herein, the sale of the Exchanges from Ameritech Wisconsin to Kendall serves the public interest, and the requested waivers satisfy the Commission's waiver standards. The waivers will permit Ameritech Wisconsin and Kendall to consummate a transaction that will produce overall benefits for customers, and operating efficiencies for the companies, without negatively affecting the Wisconsin telecommunications labor force.

For all of the foregoing reasons, the Parties respectfully repeat their request that the waivers be expeditiously granted.

Respectfully submitted,

KENDALL TELEPHONE, INC.

By: 

Gary M. Epstein

Karen Brinkmann

Johanna Mikes

Latham & Watkins

1001 Pennsylvania Ave., N.W.

Washington, DC 20004

(202) 637-2200

Attorneys for Kendall Telephone, Inc.

AMERITECH WISCONSIN

By: 

Ellen M. Gardner, President
722 N. Broadway, 18th Fl.
Milwaukee, WI 53202
(414) 678-3121

Julian P. Gehman
Mayer, Brown & Platt
2000 Pennsylvania Ave., N.W.
Washington, DC 20006
(202) 955-0828

Attorney for Ameritech Wisconsin

June 26, 1998